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SUBJECT: SALEH DEMARCHE ON AL-MOAYED AND CT SUPPORT

Classified By: Ambassador Edmund J. Hull, Reasons 1.5 (b and d)

1. (S) SUMMARY: President Saleh July 30 pressed Ambassador and Legatt-designate for an arrangement on al-Moayed to avoid political embarrassment to Yemen. Legatt briefed Saleh on FBI proposal for Yemeni investigators to come to New York and cooperate on al-Moayed case. Saleh also pressed for additional CT resources. Ambassador briefed Saleh on pending contract for Marib power plant that would adversely affect American investment in Yemen. END SUMMARY.

2. (S) At President Saleh's request, Ambassador, ORCA Chief and Legatt-designate met with him July 30. Ambassador presented Saleh initially with chart that depicted history of American company Delma's effort to win contract for Marib power plant. Chart outlined steps since 1998 that Delma had taken in accordance with Yemeni contracting procedure only to be informed recently that a Yemeni company (NATCO) was to be awarded the contract on the basis of its bid which appeared to be based on and marginally improved Delma's offer. Ambassador emphasized that virtually no American business would be interested in investment in Yemen if Delma's multi-million dollar effort was frustrated due to irregularities in the Yemen bid process. Saleh took the point and phoned the Minister of Electricity to direct that all documents be forwarded to the President's office for review.

3. (S) Saleh then raised next tranche of ORCA support for Yemen's counter terrorism effort. ORCA chief briefed Saleh on recent discussions with PSO Chief Gamish and reiterated documentation required. It was agreed that Yemeni government would provide bank statements as needed.

4. (S) Saleh then turned to al-Moayed case and reviewed his telcon with FBI Director Mueller and "understanding" that US and Yemen would cooperate in resolving the issue. Saleh argued that al-Moayed was an unimportant personality, unlike other al-Qa'ida figures like Nashiri, and that political cost to ROYG and US of his extradition outweighed potential CT gain. In response, Legatt-designate briefed Saleh on letter now being translated from him to Interior Minister Alimi which would provide basis of US case and an invitation to three Yemeni officials to come to New York to work with the prosecutors and FBI case agents, on al-Moayed's case. Legatt-designate stressed importance of al-Moayed and corroborating evidence from several sources of his association with Al-Qa'ida. Ambassador noted that al-Moayed's crime involved collecting funds in the US and from Americans which reinforced US determination to pursue his case vigorously.

5. (S) Saleh agreed that Interior Minister Alimi, Legatt-designate and Ambassador should work further to determine how to deal with the issue. He emphasized the political embarrassment the ROYG will suffer if al-Moyad is extradited. He agreed to study the FBI invitation but did not commit to sending a Yemeni team. Ambassador noted that al-Moayed was associated with the Islah party which had several suspect associations including Sheikh Abdul Magid Zindani with al-Qa'ida and the Al Aqsa fund which financed Hamas. Within Palestinian circles, it was known that Islah fundraising for Palestine was rife with corruption. ROYG should not associate itself with the Islah party and specifically al-Moayed, Ambassador advised.

6. (S) Legatt-designate briefed Saleh on ongoing training of Interior Ministry officials on crime scene investigation and conveyed personal greetings from FBI Director Mueller. Saleh expressed interest and appreciation for the training and reciprocated Muller's greetings.

7. (S) COMMENT: Saleh remains personally engaged on the al-Moayed case. The sheikh's charitable works in Sana'a have made him a popular figure here. Saleh continues to hope that his extradition to the US can be avoided and it will take continuing effort on our part to get the ROYG to acquiesce and work with the USG. Ambassador and Legatt-designate will follow up with Interior Minister and try to move toward US-Yemeni cooperation rather than confrontation.

HULL